

MEMORANDUM

January 31, 2003

TO: NCAA Football Certification Subcommittee.

FROM: Dennis L. Poppe
Managing Director for Baseball and Football

Keith E. Martin
Managing Director of Finance and Operations.

SUBJECT: Revision of Postseason Football Letter of Credit Criteria.

This past bowl season we had challenges in securing selected letters-of-credit by the November 1, deadline. One sponsoring agency did not secure their letter of credit until December 17, 2002. This resulted in uncertainty for the participating institutions and conferences that were scheduled to participate. This also created an expectation that the participating team and conferences would absorb the financial obligations of the sponsoring organization. Due to the uncertainty of receiving the letters of credit at the end of the regular season and creating the expectation the bowl will meet its financial obligations a few weeks before the bowl game, we propose the following revisions to the letter of credit criteria for the 2002-03 football bowl games:

- a. to move the submission deadline for postseason football letters of credit from November 1 to September 1. This will allow teams and conferences to know who meets the certification criteria before the regular season begins and;
- b. to require the sponsoring agency of postseason bowl games to secure a letter of credit without financial obligations from any conference or participating institution.

The letter of credit criteria, with revisions, would read as follows:

The certification process may require a sponsoring agency annually to secure an irrevocable letter of credit issued by a United States financial institution to guarantee the minimum payoff required for each team participating in a postseason game. A sample letter of credit may be found on the NCAA Web site at www1.ncaa.org/membership/postseason_football/administration.

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NCAA 030995

EXHIBIT - 41

NCAA MEMORANDUM
January 31, 2003
Page No. 2

- a. An initial letter of credit shall be a minimum of \$1.5 million for a domestic bowl and \$3.75 million for a game seeking international certification. Letters of credit for initial bowl applications are due April 1.
- b. Each certified postseason football bowl game that has not distributed an average minimum of \$1 million to each of the participating institutions during the preceding three-year period annually shall secure an irrevocable letter of credit, guaranteeing the agreed upon payout that will be distributed to the participating teams or conferences.
- c. Bowl management must direct the financial institution that will provide the letter of credit to notify the NCAA by **August 1**, that the letter of credit will be received by the NCAA no later than **September 1**. **Letters of credit not received by September 1 will not be certified for the 2002-03 bowl season.**
- d. The letter of credit is payable to the NCAA.
- e. The period of time covered by the letter of credit is from **September 1**, until the participating institutions have notified the NCAA that they have received their distribution of receipts or no later than May 1, each year.
- f. In the event that a game is certified (with or without conditions) and the game is not played for reasons the committee believes are within the control of the sponsoring agency, the agency is obligated to reimburse the conference or institution contracted to play the game for any expenses incurred in preparation for the game.
- g. The NCAA is responsible for distributing the letter-of-credit revenues to participating institutions in the event of default.
- h. The cost of the letter of credit is **the responsibility of the sponsoring agency.**

Thank you for our consideration of this matter. If you have questions, please contact one of us.

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